



**Testimony of Dan Gustafson on behalf of
Building Owners and Managers Association of Metro Detroit
House Tax Policy Committee**

April 29, 2009

Good morning distinguished committee members. I am Dan Gustafson of Scofes and Associates Consulting testifying on behalf of Building Owners & Managers Association of Metropolitan Detroit. Thank you for this opportunity to address you regarding this important issue.

The Building Owners and Managers Association was founded in 1908 and is comprised of over 400 member companies representing over 250 million square feet of office space in southeast Michigan. Among our most recognizable member-owners are Schostak Brothers, Redico, the Farbman Group, Kajoian Companies, Kirco, Etkin Equities, Grubb & Ellis, CB Richard Ellis, Blackstone Property Management, Fordland, Hines, and Ashley Capital.

BOMA members represent every aspect of our industry from building owners, building managers, real estate brokers, and various suppliers including landscapers, roofers, janitorial services, utilities, construction firms and architects. We are primarily comprised of business owners who have made the choice to invest in Michigan and create jobs.

Commercial property in Michigan suffers from vacancy rates amongst the highest in the nation as businesses close leaving BOMA members with building vacancy rates in some cities as high as 30-35%; as high a 60% ghost vacancies, where companies have simply left.

We believe the proposal, as introduced, will substantially increase the tax burden on our industry and will create a de-facto split roll model of taxation in its endeavor to eliminate the so-called 'additions and losses' section of the state property tax code—a provision upheld in 2002 by the Michigan Supreme Court and further upheld in the recent Toll v Northville decision of February 2008.

These are costs that owners will have no choice but to pass on to the many small businesses leasing space in our facilities; a tax which small business—ANY business in Michigan can ill afford at this time of economic crisis for Michigan and the nation.

Additionally, the split roll approach will make property tax administration more complicated and onerous for tax administrators in an already burdened system. Currently, there is a backlog as long as 6 years in the Tax Tribunal. Adding insult to injury is an estimated \$3 per square foot increase already distressing commercial properties in Michigan as a result of the deterioration of value on commercial real estate created by the Michigan Business Tax and a restricted credit market that threatens over \$500 million dollars in distressed properties in Michigan that may face foreclosure.

Increased costs to business and an immediate increase in property taxes are inconsistent with this legislature's stated goals of improving Michigan's business climate.

We urge you to consider other remedies to an economy in crisis and city and state budget woes such as making hard choices to reduce the budget, enact incentives to retain population in Michigan as well as enacting legislation addressing concerns raised by the Supreme Court WPW ruling and returning the real estate tax appeal process to its intended methods.

Again, thank you committee members for this opportunity and we look forward to answering any questions you may have regarding this issue.

For more information on BOMA, its members or issue positions please contact:

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